

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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| In the Matter of |) | |
| |) | |
| Connect America Fund |) | WC Docket No. 10-90 |
| |) | |
| A National Broadband Plan for Our Future |) | GN Docket No. 09-51 |
| |) | |
| Establishing Just and Reasonable Rates for Local Exchange Carriers |) | WC Docket No. 07-135 |
| |) | |
| High-Cost Universal Service Support |) | WC Docket No. 05-337 |
| |) | |
| Developing an Unified Intercarrier Compensation Regime |) | CC Docket No. 01-92 |
| |) | |
| Federal-State Joint Board on Universal Service |) | CC Docket No. 96-45 |
| |) | |
| Lifeline and Link-Up |) | WC Docket No. 03-109 |

**REPLY COMMENTS OF THE MINNESOTA INDEPENDENT COALITION
AND THE MINNESOTA TELECOM ALLIANCE**

The Minnesota Independent Coalition (“MIC”)¹ and the Minnesota Telecom Alliance (“MTA”)² submit the following Reply Comments in response to the *Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding* released August 3, 2011, in the above-captioned proceedings.

¹ The MIC is an unincorporated association of over 75 small, Incumbent Local Exchange Carriers (“ILECs”) providing local exchange service to primarily rural areas in Minnesota. MIC members are responsible for telecommunications service to customers throughout 50% of Minnesota’s land mass - including service to over 250 small communities and their surrounding rural areas. MIC members average approximately 4,000 access lines, although half of the MIC members have fewer than 2,000 access lines. The average number of access lines per exchange is approximately 1,100 with half serving fewer than 600 access lines.

² The MTA is a trade association that advocates and represents the interests of over 80 small, medium and large companies that provide advanced telecommunications services, including voice, data and video, to consumers throughout rural, suburban and urban Minnesota communities. CenturyLink is a member of the MTA, but intends to file comments representing its position in this proceeding as part of its joint reply comments with the other ABC Plan signatories.

These Reply Comments are limited in scope to address certain specific issues that are of particular critical significance to the MIC and MTA member companies and to other ILECs serving rural areas.

1. The Consensus Framework is Supported as a Compromise Solution to Enable Reform.

The MIC and the MTA agree with comments supporting the Consensus Framework submitted to the Commission on July 29, 2011 (the “Joint Letter”),³ including its incorporation and modification of the reform plan filed by the Joint Rural Association on April 18, 2011 (the “RLEC Plan”).⁴ As many of these comments emphasize,⁵ and the Joint Letter states, the Consensus Framework represents “substantial concessions in the interest of obtaining an industry consensus that would enable regulatory certainty and the unimpeded business of building broadband.”⁶ For rural rate-of-return carriers, the Consensus Framework includes concessions which result in only the “minimum level of support that could conceivably be adequate in the

³ Letter from Walter B. Cormick, Jr., United States Telecom Association, Robert W. Quinn, Jr., AT&T, Melissa Newman, CenturyLink, Michael T. Skrivan, FairPoint, Kathleen Q. Abernathy, Frontier, Kathleen Grillo, Verizon, Michael D. Rhoda, Windstream, Shirley Bloomfield, NTCA, John Rose, OPASTCO, and Kelly Worthington, WTA, to Chairman Julius Genachowski, Commissioner Michael J. Copps, Commissioner Robert M. McDowell, Commissioner Mignon Clyburn, FCC, WC Docket No. 10-90 et. al.

⁴ Comments of National Exchange Carrier Association, Inc; National Telecommunications Cooperative Association; Organization for the Promotion and Advancement of Small Telecommunications Companies; and the Western Telecommunication Alliance, WC Docket NO. 10-90, et. al (filed April 18, 2011).

⁵ Comments of National Exchange Carrier Association, Inc; National Telecommunications Cooperative Association; Organization for the Promotion and Advancement of Small Telecommunications Companies; and the Western Telecommunication Alliance (the “Rural Associations Comments”) at 2.

⁶ Joint Letter at 1; Comments of TDS Telecommunication Corporation (“TDS Comments”) at 2; Letter Comments of Wisconsin State Telecommunications Association (“WSTA Comments”); Comments of GVNW Consulting, Inc. (“GVNW Comments”) at 3.

coming years.”⁷ The MIC and MTA agree with the observation made in the Joint Letter (and in other comments), that outside of the context of the entire Consensus Framework, the rate-of-return carriers would be unlikely to support the proposed reduction in their authorized interstate rate of return or the reductions in interstate carrier compensation.⁸ Material changes to the Consensus Framework would likely cause the withdrawal of industry support.⁹ Accordingly, the MIC and the MTA urge the Commission to adopt the Consensus Framework without material change.

2. The Consensus Framework Supports Rural Rate-of-Return Carriers’ Ability to Provide Basic and Advanced Telecommunications Services to Rural Communities.

The MIC and the MTA agree that the Consensus Plan fulfills the four guiding principles articulated by the Commission in its February 2011 Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking.¹⁰ In addition, the Consensus Framework includes certain elements of particular importance to, and which supported by, the members of the MIC and the MTA because they will support rural rate-of-return carriers’ ability to continue to provide both basic and advanced telecommunications services to their rural communities. Each of these elements is especially critical to the Consensus Framework being acceptable to the rural rate of return carriers represented by the MIC and the MTA.

⁷ TDS Comments at 2-3.

⁸ Joint Letter at 1; TDS Comments at 3.

⁹ Joint Letter at 1; Rural Associations Comments at 8; TDS Comments at 4; WSTA Comments.

¹⁰ TDS Comments at 5-8.

a. Budget Targets Must Not Be Treated As ‘Caps.’

Employing a transitioned approach to Universal Service Fund and intercarrier compensation reform is prudent public policy since the proposed Connect America Fund (“CAF”) funding mechanism is untested, and the risk of disruption to rural rate-of-return carriers’ business planning, operations, and investment is critical. The MIC and MTA agree with recommendations that: (i) the amounts budgeted for the CAF should be carefully reviewed and monitored during the budget period covered by the Consensus Framework and should not be treated as Caps; and (ii) interim steps should be taken to defer implementation as necessary, so that rural rate-of-return carriers will have sufficient funding to meet their service obligations.¹¹ The MIC and MTA support: (i) the use of “pause points” to evaluate the performance of the transition approach for rural rate-of-return carriers and to determine what modifications may be needed;¹² and (ii) a transitional cap on the annual reduction in federal USF revenue any individual study area would experience.¹³

b. Rural Benchmark Rate.

The MIC and the MTA support the use of a \$25 rate benchmark for regulated residential voice service provided by rural rate-of-return carriers, and agree that a slightly higher rate benchmark of \$30 for price cap carriers is appropriate.¹⁴ Customers of rural rate-of-return carriers typically have a much smaller geographic scope of calling area, and generally have

¹¹ TDS Comments at 3; GVNW Comments at 4, 11; Comments of Rural Broadband Alliance at 34.

¹² Joint Letter at 2-3; GVNW Comments at 11 (fn 2).

¹³ TDS Comments at 3 (fn 4); Western Association Comments at 4.

¹⁴ GVNW Comments at 12-13; Rural Associations Comments at 46-47.

lower incomes, than customers of price cap carriers.¹⁵ If the benchmark for rural rate of return customers were set at a higher level, affordability would be compromised.

c. Terminating Rate For Rural Rate Of Return Carriers Should Maintain Transport Rates On Top Of The \$0.0007 Rate.

The MIC and MTA also support the Consensus Framework's more limited approach to reforming transport rates. As noted in several comments, reduction to a terminating rate of \$0.0007 including transport for rural rate of return carriers would not be cost based and could cause service providers to substitute switched access for special access, which could result in distorted network usage patterns and increase arbitrage.¹⁶ In addition, since rural rate-of-return carriers' transport costs are typically greater than price cap carriers' transport costs, reduction of transport rates would result in substantial revenue losses for rural rate-of-return carriers, increasing pressure on the proposed restructure mechanism and the Commission's budget target for the High Cost program.¹⁷

d. Restructure Mechanism for Rural Rate of Return Carriers.

The MIC and the MTA agree that it is appropriate, and supported by sound public policy, that the restructure mechanism for rural rate-of-return carriers (but not for price cap carriers), serve as an on-going support mechanism and not be phased-out over time.¹⁸ Key differences in costs and revenues between rural rate-of-return carrier and price cap carriers justify the different treatment of the restructure mechanism for rural rate-of-return carriers and price cap carriers to

¹⁵ Id.; *see also* Reply Comments of the Minnesota Independent Coalition, WC Docket No 1090 *et. al* (May 23, 2011) at 4-6.; GVNW Comments at 12.

¹⁶ GVNW Comments at 13-14; Rural Associations Comments at 39-40.

¹⁷ Id.

¹⁸ GVNW Comments at 14-15; Joint Letter.

ensure sufficient support for rural rate-of-return carriers. These key differences include: (i) access charges make up a greater percentage of revenues for rural rate-of-return carriers; (ii) price cap carriers service lower-cost territories; and (iii) rural rate-of-return carriers have less flexibility in pricing services.¹⁹ Without the restructure mechanism, access revenues should not be lowered for rural rate-of-return carriers.

e. Hard Pause Before Lowering Rural Rate Of Return Carriers Terminating Rate Below \$0.005.

The MIC and the MTA support a “hard pause” for a detailed analysis by the Commission to evaluate the transition of rural rate of return carriers Terminating Local Switching rate below \$0.005. During this pause, the Commission could determine changes are appropriate to be responsive to consumer needs and to lessen the pressure on the Restructure Mechanism.²⁰

3. Other Issues.

In addition to the specific items noted above with regard to the Consensus Framework , the MIC and the MTA agree with comments urging the Commission to complete its work to reform contribution mechanisms.²¹ The viability of the Commission’s targeted budget for funding, and potential relief for consumers from contribution burdens, can only practically be achieved if funding is addressed.

¹⁹ GVNW Comments at 15.

²⁰ Joint Letter at 3.

²¹ Rural Broadband Alliance Comments at 30-31; GVNW Comments at 4; Comments of the Missouri Public Service Commission at 3.

4. Conclusion.

For the reasons described above, the MIC and the MTA support the Consensus Framework and recommend that the Commission adopt the Consensus Framework promptly and without any of the modifications described in the Public Notice.

Date September 6, 2011

Respectfully submitted,

/s/ Richard J. Johnson

and

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